

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 ISTANBUL 001619

SIPDIS

SENSITIVE

DEPARTMENT FOR EUR/SE AND EB/TPP/ABT EDWARD HEARTNEY
COMMERCE FOR ITA/OTEXA MARIA D'ANDREA
USTR FOR ABIOLA HEYLIGER

E.O. 12958: N/A

TAGS: [KTEX](#) [ECON](#) [ETRD](#) [TU](#)

SUBJECT: TURKISH TEXTILE AND APPAREL SECTOR: STATISTICS AND TRENDS

REF: STATE 146213

This is a joint message with Embassy Ankara. Sensitive but unclassified. Not for internet distribution.

SIPDIS

11. (SBU) Summary: Total production in the textile and apparel sectors stands at over USD 30 billion, according to estimates by both industry and government officials. Registered exports for the sector in 2004 totalled 17.6 billion USD, or 28 percent of total Turkish exports. In addition, however, industry sources estimate that USD 4-6 billion is exported via unregistered "suitcase" or "luggage" trade, mostly to Russia, the Ukraine, and Central Asia. Due in part to the lifting of quotas (as well as the growth of the automotive sector), the textile and apparel sector's share in total exports slipped to 26.5 percent through the middle of 2005. End Summary.

12. (SBU) Caveat: Due to the significant share of the informal economy in Turkey's textile and apparel sectors, it is difficult to obtain accurate figures for exports and production. Our contacts in these sectors, including in government and large industry associations, provide their best estimates. However it is clear that the textile and apparel sectors are vital for the Turkish economy, and account for significant shares in total national industrial production, employment and exports.

13. (SBU) Statistics: The most recent statistics taken from government and industry sources are :

Total Turkish Industrial Production -- 62 billion USD (2004)
Total textile and apparel production -- 30 billion USD (2004)

(note: This figure, which was most recently cited by Trade Minister Tuzman in a September 2005 speech, is taken from textile association estimates, and has not changed since 12003. Trade Undersecretariat officials disclaimed the number in a meeting with Ankara Econoff, however, stating that the GOT does not calculate a dollar value for textile and apparel production. They estimated instead that the sector produced 2.5 million tons of material.)

Share of exports -- 28 percent (2004)
-- 26.5 percent

(through mid-2005)
Share of imports -- 6.4 percent (2004)
-- 6 percent

(through mid-2005)

Total Employment -- 20 million
Textile and apparel sector's share
in employment -- 11 percent
Total employment in textile
and apparel sector -- 2.5 million

Note: Separately the government estimates that employment in the manufacturing sector is 4 million, and that 30 percent of industrial workers are in the textile and apparel sector. This official estimate falls well short of the generally accepted figure of 2.5 million, however.

14. (SBU) Trends: Beyond the slight decline of textile and apparel exports in overall Turkish exports in 2005, few statistics are available regarding the impact of the lifting of quotas on the sector. Industry sources note too that the 2005 slowdown continues a trend that began earlier in 2004, in that while Turkish exports rose 32.8 percent in 2004, textile and apparel exports rose only 16.4 percent. Similarly, in the first half of 2005, apparel exports (8.7 percent) and textile exports (10.2 percent) rose at a much more modest pace than the 20.3 percent increase in overall Turkish exports. Contacts note that the 2005 increase is actually exaggerated, in that the Turkish lira appreciated significantly during the period. In Turkish lira terms, exports were largely stagnant.

15. (SBU) Anecdotaly, producers speak of declining margins and falling capacity utilization, noting that whereas the industry earlier used 75 percent or more of its capacity, that ratio has since fallen to 60 percent. Producers note that margins have been squeezed, particularly for low-value added products, where the competition from China is most intense. They suggest that Turkey was more vulnerable to the Chinese challenge than other exporters in the Middle East and North Africa because it enjoyed large quotas in several categories under the old system, categories that were attractive targets once the quotas ended. In meetings in Istanbul, however, producers expressed hope for the remainder of the year, noting that the June China-EU agreement reimposing restrictions on Chinese exports to the EU was bringing business to Turkey. Esin Benoz, Secretary-General of the Turkish Clothing Manufacturers' Association (TCMA), told us that the group expects increases of up to 50 percent in exports to the EU market in some months during the second half of 2005. August figures, she stressed, already showed 20 percent increases for both textiles and apparel.

16. (SBU) How to respond: Both government and industry officials recognize that mass market low-value production is likely leaving Turkey for good. Instead, the industry must focus on more profitable high-fashion and "technical" products. Bilal Surucu, textile export head at the Trade Undersecretariat in Ankara, conceded to Ankara Econoff that the GOT recognizes that Turkey cannot compete with China and other low-wage competitors in the manufacture of inexpensive t-shirts. Rather it must separate itself from mass producers and focus on quality textiles and apparel for high-end retailers in the EU and U.S. To that end, he said the GOT will support establishment of a Fashion Institute in Istanbul, for which the EU has allotted a EUR 10 million grant. Surucu expressed hope that this institute will bring high fashion designers to Turkey and broaden its share in the high couture market. Separately, industry sources note that over 200 Turkish companies now provide high-tech waterproof and stain-proof fabrics for Western companies like Nike, a field in which few were present just a few short years ago.

17. (SBU) Agreement/Safeguards: Notwithstanding their focus on high-tech and high-fashion products, Turkish industry also remains transfixed by the idea that preferential agreements can buy it several more years to make the transition it failed to make before 2005. In a meeting with visiting Ankara Econ Counselor and Trade Officer, Istanbul Textile Exporters (ITKB) representatives pressed for either a unified industrial zone (QIZ) or a free trade agreement with the U.S., though they had difficulty explaining how the latter could be reconciled with Turkey's EU Customs Union. They noted that they continue to be in close contact with the U.S. and European textile industries, following up on their joint "Istanbul" declaration last year pressing for delay in ending of the textile quota system. Similarly, Surucu told Akar Econoff that the GOT wants more safeguards in place, though he did not provide specifics. (Already Turkey has taken a number of unilateral measures to limit Chinese imports in the Turkish market.) Notwithstanding the fact that the EU remains Turkey's major textile market, he expressed particular concern about the inroads China was making in the U.S. market.

18. (SBU) Comment: With the reality of 2005 sinking in, Turkish industry increasingly recognizes that it must adapt to survive, even if further safeguards are imposed that limit the rate of at which China's exports increase. Producers and government officials recognize too, however, that even if they make the transition, textiles are unlikely to weigh as heavily in the national economy in future as they have in the past, forcing government to begin considering how it can best encourage industries that will absorb sector workers. End Comment.

JONES